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ARIZONA CORPORATION COMMISSION

May 10, 2006

Members of the Arizona Power Plant and Transmission Line Siting Committee
Mr. Tom Campbell, Counsel for Southern California Edison Company

Re: Devers-Palo Verde No. 2 Transmission Project
Docket No. L-00000A-06-0295-00130

Dear Members and Mr. Campbell:

I have reviewed Southern California Edison Company's (SCE) application to obtain a Certificate of Environmental Compatibility (CEC) for the Devers-Palo Verde No. 2 Transmission Project (DPV2 Project). According to SCE's application, building this extra high voltage transmission line will enable SCE to tap into the idle generating capacity at the Palo Verde Hub and reduce energy costs for its customers in Southern California.

ARS § 40-360.06 spells out what factors the Line Siting Committee and Commission must consider in issuing a CEC. Many of these factors involve the environmental impacts of the proposed siting project. In ultimately making its decision, the Commission is required to "balance, in the broad public interest, the need for an adequate, economical and reliable supply of electric power with the desire to minimize the effect thereof on the environment and ecology of this state."

In its application, SCE cited various economic benefits to Arizona including the addition of 150 temporary construction jobs and an increase of \$24 million in property tax revenues over a 10-year period. However, SCE's application does not appear to describe any direct tangible economic benefits for Arizona's electric customers.

The Harquahala Junction Switchyard Interconnection Option may provide Arizona electric customers with some potential indirect benefits. According to its application, SCE would share the existing Harquahala-Hassayampa 500 kV transmission line with Arizona Public Service Company (APS) and Harquahala Generating Station. This possible interconnection may allow APS to postpone the need to build an additional 500 kV line into the Palo Verde Hub. I ask the Line Siting Committee to explore this option in more detail.

According to SCE, the DPV2 Project would increase the electrical transfer capability between Arizona and California by 1,200 MW. Presumably, SCE would secure long-term power contracts with independent natural gas-fired generators surrounding the Palo Verde Hub. One

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potential result is that electricity supplies will become tighter and hub prices will climb. I ask the Line Siting Committee to examine how the DPV2 Project will affect the peak and off-peak prices on the wholesale spot market for the Palo Verde Hub. In addition, please evaluate how the DPV2 Project may affect the ability of Arizona electric utilities to enter into immediate and long-term purchased power contracts.

Under ARS § 40-360.06 A (9), the Line Siting Committee can consider other additional factors it deems important in its deliberations. For this particular case, since the Applicant neither is an Arizona electric utility nor serves electric customers in Arizona, I request that the Line Siting Committee include testimony in the evidentiary record regarding the direct tangible benefits (i.e., reliability, operational or economic) that Arizona electric customers would enjoy if the DPV2 Project were constructed and operational.

In this case, I believe expanding the evidentiary record to include impacts on Arizona energy prices is warranted. Before issuing a CEC, we are obligated to strike a balance among a broad spectrum of factors so that we can make a decision that promotes the public interest. A full evidentiary record will aid me in my consideration of this case.

Thank you for your attention to this matter.

Sincerely,



Jeff Hatch-Miller
Chairman

CC: Commissioner Marc Spitzer
Commissioner William A. Mundell
Commissioner Mike Gleason
Commissioner Kristin K. Mayes
Brian McNeil
Ernest Johnson
Chris Kempley
Lyn Farmer
Parties of Record in the Docket